



DEPARTMENT OF THE NAVY  
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WASHINGTON, D.C. 20350-1000

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Subj: DEPARTMENT OF DEFENSE CHARGE CARD PROGRAMS

Encl: (1) Department of the Navy Travel Card Initiatives  
(2) Department of the Navy Purchase Card Initiatives

The Deputy Secretary of Defense directed I report to you the actions taken by the Department of the Navy (DON) to address charge card misuse, abuse, and delinquency. The DON fully supports the appropriate use of both the travel and purchase cards. I welcome and strongly support your efforts to identify solutions to keep these programs viable.

The DON has taken very aggressive action to address the issues identified with both charge cards, with Mr. Dionel Aviles and Mr. John Young leading our efforts. Senior DON staff actively participated in the Charge Card Task Force you sponsored, and senior military and civilian leaders in both the Navy and the Marine Corps are engaged and committed to improving our performance. Enclosures (1) and (2) outline the specific measures the DON has and will take to improve our charge card programs.

  
Gordon R. England

DEPARTMENT OF THE NAVY (DON) TRAVEL CARD INITIATIVES

a. Directed all major commands to review open accounts and cancel or deactivate unnecessary accounts. Navy closed 19,460 accounts and the Marine Corps closed 10,171 accounts. Major commands will continue to monitor their travel card account listing reports to identify accounts eligible for deactivation and closure.

b. Established a DON delinquency metric of 4.0 percent based on the outstanding dollars due the card contractor. Commands exceeding this metric are required to implement additional remedial actions including: deactivating all travel card accounts until 10 days prior to an individuals travel; conducting spot checks for inappropriate activity of at least 25 percent of the command's accounts; increasing spot checks to 50 percent of accounts if a pattern of misuse is discovered.

c. The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)) sent letters to each Navy and Marine Corps cardholder who was 60 or more days delinquent urging that they take action to resolve their outstanding balance and alerting them to the consequences of continued delinquency.

d. ASN(FM&C) held personal meetings with the senior leadership of the ten major commands failing to meet the DON delinquency metric to discuss the actions they are taking to reduce delinquencies.

e. Issued revised travel card policies covering use of the card for permanent change of station, requiring the use of the purchase card for training/conference fees, and requiring activities to deactivate all travel cards for departing personnel.

f. Both the Navy and the Marine Corps developed and distributed comprehensive travel card instructions for commands and activities that provide operational procedures and guidance for the daily management and program execution of the travel card program.

g. Hosted a conference to discuss travel card program issues and policies. Over 350 Navy and Marine Corps Agency Program Coordinators (APCs) attended this two day session which included an overview of the regulations and policies governing the program, as well as information on tools available for APCs to effectively manage the travel card.

Enclosure (1)

h. The names of the Navy and Marine Corps officers whose accounts were charged off by the Bank of America were provided to the Chief of Naval Operations and the Commandant of the Marine Corps for proper investigation and appropriate action.

i. Working with the Department of the Treasury and Defense Finance and Accounting Service (DFAS) to implement a pre-funded travel card pilot program to provide an acceptable alternative to the travel card.

j. Scheduled training for APCs, cardholders and Commanders at Pearl Harbor, Bangor, Norfolk and San Diego. We continue to stress cardholder and command education about the proper and responsible use of the travel card.

k. Deployed a tool to systematically monitor Navy cardholder accounts for potential misuse and or abuse.

l. Provided travel card program updates to all DON Major Command Comptrollers in March 2002, at a DFAS Partnership in Accounting Symposium in April 2002, and at the annual American Society of Military Comptrollers Professional Development Institute in May 2002.

DEPARTMENT OF THE NAVY (DON) PURCHASE CARD INITIATIVES

- a. Issued a DON message to emphasize accountability at all levels of the program.
- b. The Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)) directed a DON-wide Purchase Card stand-down including training on policy and the potential for fraud, misuse and abuse. The DON stand-down included a review of the previous twelve months purchase card transactions.
- c. ASN(RD&A) mandated suspension of purchase cards for any cardholder who lacks documentation of having completed purchase card training.
- d. ASN(RD&A) mandated by naval message that every activity conduct a current audit of its purchase card program and have the results reviewed by higher authority.
- e. Reminded all activities that excessive credit limits must be reduced.
- f. Identified DON organizations that did not comply with Department of Defense policy on approving officials to cardholder span of control, and advised all commands/activities to either comply or justify and obtain approval to exceed the threshold.
- g. Issued clarifying guidance that directed approving officials/certifying officers review all purchase card invoices prior to certification for payment.
- h. Establishing a framework for the oversight and audit of the Purchase Card Program.
  - Short Term: (90 Days) Every DON activity conducts a current audit of its purchase card program to confirm the adequacy of procedures and controls
  - Intermediate Term: (Six months) A working group has been established to develop enterprise standards and metrics for the operation of the purchase card, which will be published throughout the DON
  - Long Term (12 months plus) Command Evaluation Teams will use the universally disseminated DON standards/metrics as a basis for evaluating purchase card programs

Enclosure (2)

i. Revising NAVSUPINST 4200.94, which provides DON policies and procedures for the implementation of the government-wide commercial purchase card program, to incorporate recent policy changes.

j. Developing a safe operating checklist for Commanding Officers to assess the health of local purchase card programs.

k. Held an Agency Program Coordinator (APC) conference in May 2002 to discuss purchase card program procedures, policies and other issues; attendance exceeded 150 APC's.

l. Provided purchase card program updates to all DON Major Command Comptrollers in March 2002, at a DFAS Partnership in Accounting Symposium in April 2002, and at the annual American Society of Military Comptrollers Professional Development Institute in May 2002.

m. The DON is assessing and restructuring spending authority to minimize exposure by aligning credit limits to historical spending patterns and providing recommended maximum limits for new accounts where no historical data exists. For existing accounts, proposed monthly credit limit standard is 120% of highest monthly expenditure based upon the previous 12 months spending pattern. For new accounts, the limits will be aligned with expected monthly budget authority. Letters with the new proposed limits will be issued to all Head of Contracting Activities (HCA) directing compliance with the revised limits.

n. The DON has acquired and implemented COTS software used within the commercial and government audit sector for fraud detection and is using it to detect potential internal misuse. We have built models with exception criteria based upon General Accounting Office methods and are actively screening FY02 transactions to generate candidate transactions for further research.